

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Beaver Township	County Bay County
Fiscal Year End 3/31/07	Opinion Date June 13, 2007	Date Audit Report Submitted to State July 16, 2007	

We affirm that:

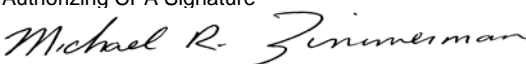
We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- |     | YES                                 | NO                       | Check each applicable box below. (See instructions for further detail.)   |
|-----|-------------------------------------|--------------------------|---|
| 1.  | <input checked="" type="checkbox"/> | <input type="checkbox"/> | All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.   |
| 2.  | <input checked="" type="checkbox"/> | <input type="checkbox"/> | There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.   |
| 3.  | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.  |
| 4.  | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The local unit has adopted a budget for all required funds.   |
| 5.  | <input checked="" type="checkbox"/> | <input type="checkbox"/> | A public hearing on the budget was held in accordance with State statute.   |
| 6.  | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.   |
| 7.  | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.  |
| 8.  | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The local unit only holds deposits/investments that comply with statutory requirements.   |
| 9.  | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the <i>Bulletin for Audits of Local Units of Government in Michigan</i> , as revised (see Appendix H of Bulletin).  |
| 10. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover. |
| 11. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The local unit is free of repeated comments from previous years.  |
| 12. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The audit opinion is UNQUALIFIED.   |
| 13. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).  |
| 14. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The board or council approves all invoices prior to payment as required by charter or statute.  |
| 15. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | To our knowledge, bank reconciliations that were reviewed were performed timely.  |

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>		Enclosed	Not Required (enter a brief justification)	
Financial Statements		<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations		<input checked="" type="checkbox"/>		
Other (Describe)		<input type="checkbox"/>	Not applicable.	
Certified Public Accountant (Firm Name) Yeo & Yeo, CPA's and Business Consultants			Telephone Number 989-631-6060	
Street Address 6018 Eastman Ave.		City Midland	State MI	Zip 48640
Authorizing CPA Signature 		Printed Name Michael R. Zimmerman		License Number 1101018243

**Beaver Township**  
**Bay County, Michigan**  
**Annual Financial Statements**  
**and**  
**Auditors' Report**  
**March 31, 2007**

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**Beaver Township**  
**List of Elected and Appointed Officials**  
**March 31, 2007**

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Township Board

Ron Robbins - Supervisor

Robert Mieske - Treasurer

Richard Charbeneau - Clerk

Jerome Grzegorzczuk - Trustee

Nick Tomczak-Trustee



6018 Eastman Avenue  
Midland, MI 48640  
Phone (989) 631-6060 / (800) 701-3574  
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## Independent Auditors' Report

To the Township Board  
Beaver Township  
Bay County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of Beaver Township as of and for the year ended March 31, 2007, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, and each major fund information of Beaver Township as of March 31, 2007 and the respective changes in financial position, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information identified in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Beaver Township's the basic financial statements. The accompanying other supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Yeo & Yeo, P.C.*

June 13, 2007

Midland, Michigan

# **Beaver Township**

## **Management's Discussion and Analysis**

### **Year Ended March 31, 2007**

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The Management's Discussion and Analysis, a requirement of GASB 34, is intended to be the Township's management's discussion and analysis of the financial results for the fiscal year ended March 31, 2007.

#### **Overview of Financial Statements**

The annual report consists of four parts: management's discussion and analysis (this section), the basic financial statements, the required supplementary information, and other supplemental information. Generally Accepted Accounting Principles (GAAP), according to GASB 34, now requires the reporting of two types of financial statements: Government-wide Financial Statements and Fund Financial Statements.

#### **Government-wide Financial Statements**

The Government-wide statements provide a perspective of the Township as a whole. These statements use the full accrual basis of accounting similar to private sector companies. There are two Government-wide statements: The Statement of Net Assets and the Statement of Activities.

The Statement of Net Assets (page 4-1) combines and consolidates the governmental fund current financial resources (short-term spendable resources) with capital assets, regardless of whether they are currently available or not.

Consistent with the full accrual basis method of accounting, the Statement of Activities (page 4-2) accounts for current year revenues and expenses regardless of when cash is received or paid. The intent of this statement is to summarize and simplify the user's analysis of the costs of the various Township's services.

When analyzed together, the two statements help the reader determine whether the Township is financially stronger or weaker as a result of the year's activities.

#### **Fund Financial Statements**

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The funds of the Township can be divided into two categories: governmental funds and fiduciary fund.



**Beaver Township**  
**Management's Discussion and Analysis**  
**Year Ended March 31, 2007**

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Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year (fund balance).

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Township's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison.

The Township maintains two individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general and fire protection funds, each of which are considered to be a major fund

The Township adopts an annual appropriated budget for both funds. Budgetary comparison statements or schedules have been provided herein to demonstrate compliance with those budgets.

Proprietary Funds

The Township maintains one type of proprietary fund. Proprietary funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Township uses enterprise funds to account for its Water operations which are managed by the Bay County Department of Water and Sewer.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the Township. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Township's own programs.

# Beaver Township

## Management's Discussion and Analysis

### Year Ended March 31, 2007

#### Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

#### Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* and *other supplemental information* concerning the Township's indebtedness, concerning budgetary information for the Township's major funds.

#### **Summary of Net Assets**

The following summarizes the Township's net assets at fiscal year ended March 31, 2007.

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
<b>Assets</b>						
Current assets	\$ 772,435	\$ 532,635	\$ 51,980	\$ 61,090	\$ 824,415	\$ 593,725
Capital and other long-term assets	555,598	520,965	2,438,006	1,771,254	2,993,604	2,292,219
Total assets	1,328,033	1,053,600	2,489,986	1,832,344	3,818,019	2,885,944
<b>Liabilities</b>						
Current liabilities	16,968	53,021	14,151	27,113	31,119	80,134
Long-term liabilities	887,181	200,639	504,033	603,352	1,391,214	803,991
Total liabilities	904,149	253,660	518,184	630,465	1,422,333	884,125
<b>Net assets</b>						
Invested in capital assets, net of related debt	393,494	320,326	1,933,973	1,166,322	2,327,467	1,486,648
Restricted for Building inspection department	7,340	-	-	-	7,340	-
Unrestricted	23,050	479,614	37,829	35,557	60,879	515,171
<b>Total net assets</b>	<b>\$ 423,884</b>	<b>\$ 799,940</b>	<b>\$ 1,971,802</b>	<b>\$ 1,201,879</b>	<b>\$ 2,395,686</b>	<b>\$ 2,001,819</b>

# Beaver Township

## Management's Discussion and Analysis

### Year Ended March 31, 2007

During the fiscal year ended March 31, 2007, the Township's net assets increased by \$393,867. Of this amount, the governmental activities showed a decrease of \$376,056, and the business-type activities an increase of \$769,923.

As noted earlier, net assets may serve over time as a useful indicator of government's financial position. In the case of Beaver Township, assets exceeded liabilities by nearly \$424,000 in the governmental funds.

A portion of the Township's net assets reflects its investment in capital assets (e.g. land, buildings, equipment and water lines), less any related debt used to acquire those assets that are still outstanding. The Township uses these capital assets to provide services to the community; consequently, these assets are not available for future spending. Although the Township's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

### Township's Changes in Net Assets

#### Revenues

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Revenue						
Program revenue						
Charges for services	\$ 279,298	\$ 201,248	\$ 106,385	\$ 91,373	\$ 385,683	\$ 292,621
Capital grants and contributions	145,260	16,886	-	-	145,260	16,886
General revenue						
Property taxes	360,463	338,979	-	-	360,463	338,979
State-shared revenue	210,882	212,393	-	-	210,882	212,393
Interest and investment earnings	3,354	6,107	2,402	1,479	5,756	7,586
Miscellaneous	49,476	45,658	-	-	49,476	45,658
Total revenues	<u>\$ 1,048,733</u>	<u>\$ 821,271</u>	<u>\$ 108,787</u>	<u>\$ 92,852</u>	<u>\$ 1,157,520</u>	<u>\$ 914,123</u>

# Beaver Township

## Management's Discussion and Analysis

### Year Ended March 31, 2007

#### Expenses

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
General government	\$ 153,350	\$ 132,906	\$ -	\$ -	\$ 153,350	\$ 132,906
Public safety	108,876	90,905	-	-	108,876	90,905
Public works	270,734	402,906	-	-	270,734	402,906
Community and Economic Development	26,374	14,324	-	-	26,374	14,324
Recreation and culture	1,272	8,693	-	-	1,272	8,693
Interest on long-term debt	7,604	8,857	30,460	35,379	38,064	44,236
Water	-	-	164,983	131,397	164,983	131,397
Total expenses	<u>568,210</u>	<u>658,591</u>	<u>195,443</u>	<u>166,776</u>	<u>763,653</u>	<u>825,367</u>
Change in net assets before transfers	480,523	162,680	(86,656)	(73,924)	393,867	88,756
Transfers	<u>(856,579)</u>	<u>(136,500)</u>	<u>856,579</u>	<u>136,500</u>	<u>-</u>	<u>-</u>
Change in net assets	<u>\$ (376,056)</u>	<u>\$ 26,180</u>	<u>\$ 769,923</u>	<u>\$ 62,576</u>	<u>\$ 393,867</u>	<u>\$ 88,756</u>

#### Governmental Activities

The Township's total governmental revenue increased by approximately \$227,000 from last fiscal year. This was primarily attributed to an increase in property taxes and local contributions. Expenses decreased by approximately \$90,000. The decrease was attributable to lower spending for road construction.

#### Financial Analysis of the Government's Funds

As noted earlier, the Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

As of the end of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$624,639, an increase of \$273,378 in comparison with the prior year. Approximately 99% of this amount (\$617,299) constitutes unreserved fund balance, which is available for spending at the Township's discretion. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has been reserved for building inspection department expenditures for the next fiscal year.

The general fund is the main operating fund of the Township. At the end of the current fiscal year, unreserved fund balance of the general fund was \$543,497. As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance represents approximately 140% of total general fund expenditures.

**Beaver Township  
Management's Discussion and Analysis  
Year Ended March 31, 2007**

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The fund balance of the General Fund increased by \$256,944 during the current fiscal year. This is primarily attributable to increase in tax revenue due to timing difference in tax collections, an increase in charges for services and decreased expenditures in public works.

The fund balance of the Fire Protection Fund increased by \$16,434 during the current fiscal year. This is primarily attributable to consistent budgeting on part of the Township and minimal capital outlay purchases.

**General Fund Budgetary Highlights**

The Township's budgets are prepared in accordance with Michigan Law. The most significant budgeted fund is the General Fund. The General Fund budget was amended during the year. As additional information became known during the fiscal year, budget amendments were made to recognize the additional revenue and/or planned expenditures related to various Township programs.

Differences between the original and final amended budgets were relatively minor.

# Beaver Township

## Management's Discussion and Analysis

### Year Ended March 31, 2007

#### Capital Assets and Debt Administration

#### Capital Assets

The Township's investment in capital assets for its governmental activities as of March 31, 2007, amounted to \$555,598 (net of accumulated depreciation). Investment in capital assets included land, buildings, and equipment. In addition, the Township has an investment net of depreciation of \$2,438,006 in water lines.

	Balance March 31, 2006	Balance March 31, 2007
<b>Governmental activities</b>		
Capital assets not being depreciated		
Land	\$ 10,000	\$ 10,000
Construction in progress	47,790	-
Total capital assets not being depreciated	<u>57,790</u>	<u>10,000</u>
Capital assets being depreciated		
Buildings and improvements	118,500	118,500
Furniture and equipment	41,790	41,790
Vehicles	524,874	524,874
Water lines	-	110,922
Capital assets being depreciated	<u>685,164</u>	<u>796,086</u>
Less: Accumulated depreciation	<u>(221,989)</u>	<u>(250,488)</u>
Governmental activities capital assets, net	<u><u>\$ 520,965</u></u>	<u><u>\$ 555,598</u></u>
<b>Business-type activities</b>		
Capital assets not being depreciated		
Water lines	\$ 2,091,432	\$ 2,816,512
Less: Accumulated depreciation	<u>(320,178)</u>	<u>(378,506)</u>
Business-type activities capital assets, net	<u><u>\$ 1,771,254</u></u>	<u><u>\$ 2,438,006</u></u>

# Beaver Township

## Management's Discussion and Analysis

### Year Ended March 31, 2007

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#### Long-term Debt

At the end of the current fiscal year, the Township had total long-term debt outstanding of \$1,387,181.

	Balance April 1, 2006	Additions	Reductions	Balance March 31, 2007
Governmental activities				
Fire truck note payable	\$ 200,639	\$ -	\$ 38,535	\$ 162,104
Water lines loan	-	725,077	-	725,077
Business-type activities				
Water bonds payable	600,000	-	100,000	500,000
	<u>\$ 800,639</u>	<u>\$ 725,077</u>	<u>\$ 138,535</u>	<u>\$ 1,387,181</u>

#### Economic Factors and Next Year's Budget

The following factors were considered in preparing the Township's budget for the 2007-2008 fiscal year:

- The State of Michigan has made significant cuts in their operating budgets due to a downturn in economy. For 2006-2007 the Township received \$210,882 in state shared revenue, representing 23% of the revenue in the General Fund. The amounts of the state shared revenues for future periods are uncertain and will affect the Township's budgets. Our budgets were prepared with these factors in mind and will need to be revised as needed.

#### Request for Information

This financial report is designed to provide our citizens and taxpayers with a general overview of the Township's finances. If you have questions about this report or would like additional information, contact the Township Clerk's office at Beaver Township, Bay County, Michigan.

**Beaver Township**  
**Statement of Net Assets**  
**March 31, 2007**

	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 629,139	\$ 46,340	\$ 675,479
Receivables			
Customers	-	3,297	3,297
Taxes	39,241	-	39,241
Water line liens	104,055	-	104,055
Interest receivable	-	404	404
Prepaid items	-	1,939	1,939
Capital assets not being depreciated	10,000	-	10,000
Capital assets - net of accumulated depreciation	<u>545,598</u>	<u>2,438,006</u>	<u>2,983,604</u>
 Total assets	 <u>1,328,033</u>	 <u>2,489,986</u>	 <u>3,818,019</u>
<b>Liabilities</b>			
Accounts payable	16,968	9,936	26,904
Accrued and other liabilities	-	4,215	4,215
Due within one year	70,157	100,605	170,762
Due in more than one year	<u>817,024</u>	<u>403,428</u>	<u>1,220,452</u>
 Total liabilities	 <u>904,149</u>	 <u>518,184</u>	 <u>1,422,333</u>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	393,494	1,933,973	2,327,467
Restricted for:			
Building inspection department	7,340	-	7,340
Unrestricted	<u>23,050</u>	<u>37,829</u>	<u>60,879</u>
 Total net assets	 <u>\$ 423,884</u>	 <u>\$ 1,971,802</u>	 <u>\$ 2,395,686</u>



**Beaver Township**  
**Statement of Activities**  
**Year Ended March 31, 2007**

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for	Operating	Capital	Governmental	Business-type	Total
	Expenses	Services	Grants and Contributions	Grants and Contributions	Activities	Activities	
<b>Functions/Programs</b>							
<b>Primary government</b>							
Governmental activities							
General government	\$ 153,350	\$ -	\$ -	\$ -	\$ (153,350)	\$ -	\$ (153,350)
Public safety	108,876	147,336	-	-	38,460	-	38,460
Public works	270,734	131,962	-	145,260	6,488	-	6,488
Community and economic development	26,374	-	-	-	(26,374)	-	(26,374)
Recreation and culture	1,272	-	-	-	(1,272)	-	(1,272)
Interest on long-term debt	7,604	-	-	-	(7,604)	-	(7,604)
Total governmental activities	568,210	279,298	-	145,260	(143,652)	-	(143,652)
Business-type activities							
Water	195,443	106,385	-	-	-	(89,058)	(89,058)
Total primary government	\$ 763,653	\$ 385,683	\$ -	\$ 145,260	(143,652)	(89,058)	(232,710)
General revenues							
Property taxes					360,463	-	360,463
State shared revenue					210,882	-	210,882
Unrestricted investment earnings					3,354	2,402	5,756
Miscellaneous					49,476	-	49,476
Transfers					(856,579)	856,579	-
Total general revenues and transfers					(232,404)	858,981	626,577
Change in net assets					(376,056)	769,923	393,867
Net assets - beginning of year					799,940	1,201,879	2,001,819
Net assets - end of year					\$ 423,884	\$ 1,971,802	\$ 2,395,686

**Beaver Township  
Governmental Funds  
Balance Sheet  
March 31, 2007**

		Special Revenue Fund	
	General	Fire Fund	Total Governmental Funds
<b>Assets</b>			
Cash and cash equivalents	\$ 553,498	\$ 75,641	\$ 629,139
Receivables			
Water line liens	104,055	-	104,055
Taxes	31,417	7,824	39,241
Due from other funds	<u>1,839</u>	<u>-</u>	<u>1,839</u>
Total assets	<u>\$ 690,809</u>	<u>\$ 83,465</u>	<u>\$ 774,274</u>
<b>Liabilities</b>			
Due to other funds	\$ -	\$ 1,839	\$ 1,839
Accounts payable	4,500	-	4,500
Deferred revenue	<u>135,472</u>	<u>7,824</u>	<u>143,296</u>
Total liabilities	<u>139,972</u>	<u>9,663</u>	<u>149,635</u>
<b>Fund Balances</b>			
Reserved for:			
Building inspection department	7,340	-	7,340
Unreserved, reported in:			
General fund	543,497	-	543,497
Special revenue fund	<u>-</u>	<u>73,802</u>	<u>73,802</u>
Total fund balances	<u>550,837</u>	<u>73,802</u>	<u>624,639</u>
Total liabilities and fund balances	<u>\$ 690,809</u>	<u>\$ 83,465</u>	<u>\$ 774,274</u>

**Beaver Township  
Governmental Funds  
Reconciliation of Fund Balances of Governmental Funds  
to Net Assets of Governmental Activities  
March 31, 2007**

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<b>Total fund balances for governmental funds</b>	\$ 624,639
Total net assets for governmental activities in the statement of net assets is different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital assets not being depreciated	10,000
Capital assets - net of accumulated depreciation	545,598
Certain receivables are not available to pay for current period expenditures and, therefore, are deferred in the funds.	143,296
Certain liabilities are not due and payable in the current period and are not reported in the funds.	(12,468)
Long-term liabilities applicable to governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities.	<u>(887,181)</u>
<b>Net assets of governmental activities</b>	<u><u>\$ 423,884</u></u>

**Beaver Township**  
**Governmental Funds**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Year Ended March 31, 2007**

	General	Special Revenue Fund Fire Fund	Governmental Funds Total
<b>Revenues</b>			
Taxes	\$ 249,214	\$ 113,762	\$ 362,976
Licenses and permits	34,818	-	34,818
State revenue sharing	210,882	-	210,882
Local contributions	145,260	-	145,260
Charges for services	283,253	-	283,253
Interest income	3,156	198	3,354
Other revenue	4,463	10,195	14,658
Total revenues	<u>931,046</u>	<u>124,155</u>	<u>1,055,201</u>
<b>Expenditures</b>			
Current			
General government	126,456	-	126,456
Public safety	25,002	58,766	83,768
Public works	342,809	-	342,809
Community and economic development	26,374	-	26,374
Recreation and culture	1,272	-	1,272
Other functions	20,687	-	20,687
Capital outlay	-	2,816	2,816
Debt service			
Principal retirement	-	38,535	38,535
Interest and fiscal charges	-	7,604	7,604
Total expenditures	<u>542,600</u>	<u>107,721</u>	<u>650,321</u>
Excess (deficiency) of revenues over expenditures	388,446	16,434	404,880
Other financing sources (uses)			
Issuance of debt	725,077	-	725,077
Transfers out	(856,579)	-	(856,579)
Total other financing sources and uses	<u>(131,502)</u>	<u>-</u>	<u>(131,502)</u>
Net change in fund balances	256,944	16,434	273,378
Fund balance - beginning of year	<u>293,893</u>	<u>57,368</u>	<u>351,261</u>
Fund balance - end of year	<u>\$ 550,837</u>	<u>\$ 73,802</u>	<u>\$ 624,639</u>

**Beaver Township  
Governmental Funds  
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances  
of Governmental Funds to the Statement of Activities  
Year Ended March 31, 2007**

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**Net change in fund balances - Total governmental funds** \$ 273,378

Total change in net assets reported for governmental activities in the statement of activities  
is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those  
assets is allocated over their estimated useful lives and reported as depreciation expense.

Depreciation expense	(28,499)
Capital outlay	63,132

Revenues in the statement of activities that do not provide current financial resources are not reported as revenue  
in the funds.

Property taxes	(2,513)
Charges for services	(3,955)

Expenses are recorded when incurred in the statement of activities

Other expenses	8,943
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Bond proceeds are reported as financing sources in the governmental funds and thus contribute to the change in  
fund balance. In the statement of net assets, however, issuing debt increases long-term liabilities and does not  
affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds  
but reduces the liability in the statement of net assets.

Debt issued	(725,077)
Repayments of long-term debt	<u>38,535</u>

**Change in net assets of governmental activities** \$ (376,056)

**Beaver Township  
Proprietary Fund  
Statement of Net Assets  
March 31, 2007**

	<u>Water Fund</u>
<b>Assets</b>	
Current assets	
Cash and cash equivalents	\$ 46,340
Receivables	
Customers	3,297
Accrued interest and other	404
Prepaid items	<u>1,939</u>
Total current assets	51,980
Noncurrent assets	
Capital assets - net of accumulated depreciation	<u>2,438,006</u>
Total assets	<u>2,489,986</u>
<b>Liabilities</b>	
Current liabilities	
Accounts payable	9,936
Accrued and other liabilities	4,215
Current portion of noncurrent liabilities	<u>100,605</u>
Total current liabilities	<u>114,756</u>
Noncurrent liabilities	
Long-term debt net of current portion	<u>403,428</u>
Total liabilities	<u>518,184</u>
<b>Net Assets</b>	
Invested in capital assets, net of related debt	1,933,973
Unrestricted	<u>37,829</u>
Total net assets	<u>\$ 1,971,802</u>

**Beaver Township**  
**Proprietary Funds**  
**Statement of Revenues, Expenses and Changes in Fund Net Assets**  
**Year Ended March 31, 2007**

	Water Fund
<b>Operating revenue</b>	
Customer fees	\$ 81,425
Connection fees	24,000
Other revenue	<u>960</u>
Total operating revenue	<u>106,385</u>
<b>Operating expenses</b>	
Personnel services	45,618
Water costs	41,699
Administration	3,689
Utilities	242
Repairs and maintenance	13,548
Other expenses	1,859
Depreciation	<u>58,328</u>
Total operating expenses	<u>164,983</u>
Operating loss	<u>(58,598)</u>
<b>Nonoperating revenue (expenses)</b>	
Interest income	2,402
Interest expense	<u>(30,460)</u>
Total nonoperating revenues (expenses)	<u>(28,058)</u>
Loss before transfers	(86,656)
Transfers in	<u>856,579</u>
Change in net assets	769,923
Net assets - beginning of year	<u>1,201,879</u>
Net assets - end of year	<u>\$ 1,971,802</u>

**Beaver Township  
Proprietary Fund  
Statement of Cash Flows  
Year Ended March 31, 2007**

	<u>Water Fund</u>
<b>Cash flows from operating activities</b>	
Receipts from customers	\$ 110,354
Payments to suppliers	(75,074)
Payments to employees	(44,945)
Net cash used by operating activities	<u>(9,665)</u>
<b>Cash flows from noncapital financing activities</b>	
Transfer from other funds	<u>856,579</u>
<b>Cash flows from capital and related financing activities</b>	
Purchases/construction of capital assets	(725,080)
Principal and interest paid on long-term debt	(131,200)
Net cash used by capital and related financing activities	<u>(856,280)</u>
<b>Cash flows from investing activities</b>	
Interest received	<u>2,225</u>
Net decrease in cash and cash equivalents	(7,141)
Cash and cash equivalents - beginning of year	<u>53,481</u>
Cash and cash equivalents - end of year	<u><u>\$ 46,340</u></u>
<b>Reconciliation of operating loss to net cash provided (used) by operating activities</b>	
Operating loss	\$ (58,598)
Adjustments to reconcile operating income to net cash from operating activities	
Depreciation and amortization expense	58,328
Changes in assets and liabilities	
Receivables (net)	2,448
Due from other units of governments	2,942
Prepaid items	(1,823)
Accounts payable	(12,214)
Accrued and other liabilities	<u>(748)</u>
Net cash used by operating activities	<u><u>\$ (9,665)</u></u>



**Beaver Township  
Fiduciary Funds  
Statement of Assets and Liabilities  
March 31, 2007**

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	<u>Tax Collection Fund</u>
<b>Assets</b>	
Cash and cash equivalents	<u>\$ 219</u>
<b>Liabilities</b>	
Due to other units of government	<u><u>\$ 219</u></u>

**Beaver Township**  
**Notes to Financial Statements**  
**March 31, 2007**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Reporting entity**

Beaver Township is governed by an elected five-member Board.

These statements also include the water system managed by the Bay County Department of Water and Sewer on behalf of the Township. GASB #34 now requires this activity to be reported in the Township's annual financial statements. The Township has sole authority to set rates and is financially responsible for the integrity of the system. The financial statements reflect the financial position and results of operations of the system for calendar year 2006. This fund is the Township's only proprietary fund. Nothing was brought to our attention which would require adjustments to the water fund statements to reflect the Townships fiscal year end of March 31.

**Government-wide and fund financial statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. *Government activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among

program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major enterprise funds are reported as separate columns in the fund financial statements.

**Measurement focus, basis of accounting, and financial statement presentation**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so

**Beaver Township**  
**Notes to Financial Statements**  
**March 31, 2007**

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have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Fire Fund accounts for the revenue and expenditures of the government's fire protection and emergency rescue activities.

The government reports the following major proprietary funds:

The Water Fund accounts for the activities of the water distribution system.

Additionally, the government reports the following:

Current Tax Collection Fund accounts for property tax and other deposits collected on behalf of other governmental units.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the sewer and water funds and the internal service funds are charges to customers for sales and services. The government also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for sewer and water funds and the internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

**Assets, liabilities, and net assets or equity**

Deposits – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired.

Receivables and payables – In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds."

**Beaver Township**  
**Notes to Financial Statements**  
**March 31, 2007**

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All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1<sup>st</sup> on the taxable valuation of property as of the preceding December 31<sup>st</sup>. Taxes are considered delinquent on March 1<sup>st</sup> of the following year, at which time penalties and interest are assessed.

The 2006 taxable valuation of the government totaled \$67,223,814, on which ad valorem taxes consisted of 4.7346 mills for operating purposes. This resulted in \$340,284 for operating expenses, exclusive of any Michigan Tax Tribunal or Board of Review adjustments.

Capital assets – Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$2,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost, if purchased or constructed.

The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations, the government values these capital assets at the estimated fair value of the item at the date of its donation.

Property, plant and equipment are depreciated using the straight-line method over the following useful lives:

Buildings	40 years
Water lines	40 years
Vehicles	25 years
Machinery and equipment	5 to 7 years

Long-term obligations – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities.

Compensated absences – Employees of the County of Bay Water and Sewer Fund who manage the water fund for the township permit employees to accumulate unused sick days up to a maximum of 120 days. The cost of this benefit is recognized when earned.

Fund equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purposes. Designations of fund balance represent tentative management plans that are subject to change.

**Comparative data**

Comparative data is not included in the Township's financial statements.

**NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**Budgetary information**

The Township is subject to the budgetary control requirements of the Uniform Budgeting Act (P.A. 621 of 1978, as amended). Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General

**Beaver Township**  
**Notes to Financial Statements**  
**March 31, 2007**

Fund and Fire Fund. All annual appropriations lapse at fiscal year end.

Prior to March 1, the Township Supervisor submits to the Township board a proposed operating budget for the fiscal year commencing the following April 1. Public hearings are held to obtain taxpayer comments and the budget is legally enacted through passage of an ordinance prior to April 1.

The budget document presents information by fund, activity, department, and line items. The legal level of budgetary control adopted by the governing body is the activity level. The Township Clerk is authorized to transfer budgeted amounts between line items within an activity; however, any revisions that alter the total expenditures of an activity must be approved by the Township Board.

Amounts encumbered for purchase orders, contracts, etc. are not tracked during the year. Budget appropriations are considered to be spent when goods are received or services rendered.

The Township incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated as follows:

	Total Appropriations	Amount of Expenditures	Budget Variance
General Fund			
Township board	\$ 16,800	\$ 25,297	\$ 8,497
Assessor	11,500	12,169	669
Elections	2,000	4,298	2,298
Buildings and grounds	42,200	44,826	2,626
Police	2,100	4,673	2,573
Street lighting	4,000	4,091	91
Sanitary land fill	117,000	119,860	2,860
Zoning	21,200	26,374	5,174
Insurance and bonds	10,000	17,346	7,346
Fire Fund			
Public safety	46,700	58,766	12,066

**DEPOSITS**

At year end the government's deposits were reported in the basic financial statements in the following categories:

	Cash and Cash Equivalents
Governmental activities	\$ 629,139
Business-type activities	46,340
Total primary government	675,479
Fiduciary fund	219
Total	\$ 675,698

**Beaver Township**  
**Notes to Financial Statements**  
**March 31, 2007**

The breakdown between deposits and investments is as follows:

	Primary Government	Fiduciary Fund
Bank deposits (checking and savings accounts)	\$ 675,479	\$ 219

*Credit risk* – State statutes authorize the government to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers acceptance of United States Banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or any of its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that re legal for direct investment by local units of government in Michigan. The investment policy adopted by the government authorizes investment in bonds and securities of the United States government and bank accounts and certificates of deposit, but not the remainder of State statutory authority as listed above.

*Concentration of credit risk* – The Township has no policy that would limit the amount that may be invested with any one issuer.

*Custodial credit risk* - deposits – In the case of deposits, this is the risk that in the event of bank failure, the Township's deposits may not be returned to it. The Township does not have a deposit policy for custodial credit risk. As of year end, \$509,939 was exposed to custodial credit risk because it was uninsured and uncollateralized.

**NOTE 4 - RECEIVABLES AND DEFERRRED REVENUE**

The only receivables not expected to be collected within one year are as follows:

	Due after one year	Fund
<b>Primary government</b>		
Water line liens	\$ 104,055	General
Property taxes	31,417	General
Property taxes	<u>7,824</u>	Fire
	<u>\$ 143,296</u>	

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	Unavailable
<b>Primary government</b>	
Water line liens	\$ 104,055
Property taxes	<u>39,241</u>
	<u>\$ 143,296</u>

**Beaver Township**  
**Notes to Financial Statements**  
**March 31, 2007**

**NOTE 5 - CAPITAL ASSETS**

Capital assets activity of the primary government for the current year was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities</b>				
Capital assets not being depreciated				
Land	\$ 10,000	\$ -	\$ -	\$ 10,000
Construction in progress	47,790	-	47,790	-
Total capital assets not being depreciated	57,790	-	47,790	10,000
Capital assets being depreciated				
Buildings, additions and improvements	118,500	-	-	118,500
Machinery and equipment	41,790	-	-	41,790
Vehicles	524,874	-	-	524,874
Water lines	-	110,922	-	110,922
Total capital assets being depreciated	685,164	110,922	-	796,086
Less accumulated depreciation for				
Buildings, additions and improvements	(69,125)	(2,963)	-	(72,088)
Machinery and equipment	(2,978)	(2,820)	-	(5,798)
Vehicles	(149,886)	(20,995)	-	(170,881)
Water lines	-	(1,721)	-	(1,721)
Total accumulated depreciation	(221,989)	(28,499)	-	(250,488)
Net capital assets being depreciated	463,175	82,423	-	545,598
Governmental activities capital assets, net	\$ 520,965	\$ 82,423	\$ 47,790	\$ 555,598
	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-type activities</b>				
Capital assets being depreciated				
Water system	\$ 2,091,432	\$ 725,080	\$ -	\$ 2,816,512
Less accumulated depreciation for				
Water system	(320,178)	(58,328)	-	(378,506)
Net capital assets being depreciated	1,771,254	666,752	-	2,438,006
Business-type capital assets, net	\$ 1,771,254	\$ 666,752	\$ -	\$ 2,438,006

Depreciation expense was charged to programs of the primary government as follows:

<b>Governmental activities</b>	
General government	\$ 6,207
Public safety	22,292
Total governmental activities	<u>\$ 28,499</u>
<b>Business-type activities</b>	
Water	<u>\$ 58,328</u>

**NOTE 6 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
General	Fire	<u>\$ 1,839</u>

The outstanding balances between funds result mainly from the time lag between the dates that 1) transactions are recorded in the accounting system, and 2) payments between funds are made.

The details for interfund transfers are as follows:

Funds Transferred From	Funds Transferred To	Amount
General	Water	<u>\$ 856,579</u>

Transfers are used to move unrestricted general fund revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs.

**Beaver Township**  
**Notes to Financial Statements**  
**March 31, 2007**

**NOTE 7 - LONG-TERM DEBT**

The government issues bonds to provide for the acquisition and construction of major capital projects. General obligation bonds are direct obligations and pledge the full faith and credit of the government. Installment purchase agreements are also general obligations of the government.

Long-term obligation activity is summarized as follows:

	Amount of Issue	Maturity Date	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental activities</b>									
Installment purchase agreement									
Fire Truck loan - Chemical Bank	\$ 335,743	2012	3.79%	\$27,142 - \$32,167	\$ 200,639	\$ -	\$ 38,535	\$ 162,104	\$ 33,386
Water lines loan	\$ 725,077	2022	4.64%	\$36,771 - \$64,561	-	725,077	-	725,077	36,771
					<u>\$ 200,639</u>	<u>\$ 725,077</u>	<u>\$ 38,535</u>	<u>\$ 887,181</u>	<u>\$ 70,157</u>
<b>Business-type activities</b>									
Bonds payable									
Water line extension bonds	\$ 1,100,000	2012	5.00 - 5.40%	\$100,000	\$ 600,000	\$ -	\$ 100,000	\$ 500,000	\$ 100,000
Compensated absences					3,352	681	-	4,033	605
					<u>\$ 603,352</u>	<u>\$ 681</u>	<u>\$ 100,000</u>	<u>\$ 504,033</u>	<u>\$ 100,605</u>

Annual debt service requirements to maturity for the above obligations are as follows:

Year Ending March 31,	Governmental Activities		Year Ending March 31,	Business-type activities	
	Principal	Interest		Principal	Interest
2008	\$ 70,157	\$ 39,014	2008	\$ 100,000	\$ 13,100
2009	72,115	37,057	2009	100,000	10,550
2010	75,166	34,005	2010	100,000	7,950
2011	78,348	30,823	2011	100,000	5,350
2012	63,696	27,506	2012	100,000	2,700
2013-2017	246,405	100,595			
2018-2022	281,294	37,872		<u>\$ 500,000</u>	<u>\$ 39,650</u>
	<u>\$ 887,181</u>	<u>\$ 306,872</u>			



**Beaver Township**  
**Notes to Financial Statements**  
**March 31, 2007**

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**NOTE 8 - RISK MANAGEMENT**

The government is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The government has purchased commercial insurance for all claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

**NOTE 9 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS**

The Township participates in a defined contribution retirement plan administered by John Hancock Financial Services. The plan covers all members of the Township Board. The amount of contributions is based upon the length of service and amounts of compensation earned. The contributions amounted to \$3,341 for the year ended March 31, 2007.

**NOTE 10 - CONTINGENT LIABILITIES**

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any, to be immaterial.

Litigation – Beaver Township is subject to various legal proceedings arising in the course of providing public services to Township residents. The Township is presently a defendant in several cases. However, in the opinion of management and legal counsel, the Township is sufficiently covered by its liability insurance in those matters for which a monetary value is involved.

**Beaver Township**  
**Required Supplemental Information**  
**Budgetary Comparison Schedule**  
**General Fund**  
**Year Ended March 31, 2007**

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes				
Property taxes	\$ 255,000	\$ 255,000	\$ 226,522	\$ (28,478)
Administration fee	20,000	20,000	22,692	2,692
Licenses and permits	30,000	30,000	34,818	4,818
State revenue sharing	190,000	190,000	210,882	20,882
Local contributions	52,500	52,500	145,260	92,760
Charges for services	182,000	182,000	283,253	101,253
Interest income	5,000	5,000	3,156	(1,844)
Other revenue	9,500	9,500	4,463	(5,037)
Loan proceeds	800,000	800,000	725,077	(74,923)
Total revenues	<u>1,544,000</u>	<u>1,544,000</u>	<u>1,656,123</u>	<u>112,123</u>
<b>Expenditures</b>				
General government				
Township board	16,800	16,800	25,297	8,497
Supervisor	10,500	10,500	9,639	(861)
Clerk	12,700	12,700	12,320	(380)
Board of review	1,200	1,200	1,207	7
Treasurer	17,700	17,700	15,900	(1,800)
Assessor	11,500	11,500	12,169	669
Elections	2,000	2,000	4,298	2,298
Buildings and grounds	42,200	42,200	44,826	2,626
Cemetery	1,000	1,000	800	(200)
Total general government	<u>115,600</u>	<u>115,600</u>	<u>126,456</u>	<u>10,856</u>

**Beaver Township**  
**Required Supplemental Information**  
**Budgetary Comparison Schedule**  
**General Fund**  
**Year Ended March 31, 2007**

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
Public safety				
Police	2,100	2,100	4,673	2,573
Building inspection department	30,000	30,000	20,329	(9,671)
Total public safety	32,100	32,100	25,002	(7,098)
Public works				
Highways, streets and bridges	254,700	254,700	155,726	(98,974)
Water and sewer system	100,000	100,000	63,132	(36,868)
Street lighting	4,000	4,000	4,091	91
Sanitary land fill	117,000	117,000	119,860	2,860
Total public works	475,700	475,700	342,809	(132,891)
Community and economic development				
Zoning	21,200	21,200	26,374	5,174
Recreation and culture				
Parks and recreation	15,000	15,000	1,272	(13,728)

**Beaver Township**  
**Required Supplemental Information**  
**Budgetary Comparison Schedule**  
**General Fund**  
**Year Ended March 31, 2007**

	Budgeted Amounts			Actual Over (Under) Final Budget
	Original	Final	Actual	
Other functions				
Insurance and bonds	10,000	10,000	17,346	7,346
Unallocated employee fringe benefits	3,400	3,400	3,341	(59)
Total other functions	13,400	13,400	20,687	7,287
Total expenditures	673,000	673,000	542,600	(130,400)
Excess of revenues over expenditures	871,000	871,000	1,113,523	242,523
Other financing uses				
Transfers out	(932,000)	(932,000)	(856,579)	(75,421)
Net change in fund balances	(61,000)	(61,000)	256,944	167,102
Fund balance - beginning of year	293,893	293,893	293,893	-
Fund balance - end of year	<u>\$ 232,893</u>	<u>\$ 232,893</u>	<u>\$ 550,837</u>	<u>\$ 167,102</u>

**Beaver Township**  
**Required Supplemental Information**  
**Budgetary Comparison Schedule**  
**Fire Fund**  
**Year Ended March 31, 2007**

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 114,100	\$ 114,100	\$ 113,762	\$ (338)
Interest income	1,000	1,000	198	(802)
Other revenue	-	-	10,195	10,195
	<u>115,100</u>	<u>115,100</u>	<u>124,155</u>	<u>9,055</u>
Total revenues				
<b>Expenditures</b>				
Current				
Public safety	46,700	46,700	58,766	12,066
Capital outlay	17,500	17,500	2,816	(14,684)
Debt service				
Principal retirement	40,900	40,900	38,535	(2,365)
Interest and fiscal charges	8,000	8,000	7,604	(396)
	<u>113,100</u>	<u>113,100</u>	<u>107,721</u>	<u>(5,379)</u>
Total expenditures				
Excess of revenues over expenditures	2,000	2,000	16,434	14,434
Fund balance - beginning of year	<u>57,368</u>	<u>57,368</u>	<u>57,368</u>	<u>-</u>
Fund balance - end of year	<u>\$ 59,368</u>	<u>\$ 59,368</u>	<u>\$ 73,802</u>	<u>\$ 14,434</u>

**Beaver Township**  
**Other Supplemental Information**  
**Schedule of Indebtedness**  
**March 31, 2007**

Description	Interest Rate	Date of Maturity	Amount of Annual Maturity	Interest	Interest	Total
<b>Governmental Activities</b>						
Fire Truck Loan	3.79%	2008	\$ 33,386	\$ 6,385	\$ -	\$ 39,771
Amount of issue - \$ 335,743	3.79%	2009	34,652	5,120	-	39,772
	3.79%	2010	35,965	3,806	-	39,771
	3.79%	2011	37,328	2,443	-	39,771
	3.79%	2012	20,773	1,029	-	21,802
			<u>\$ 162,104</u>	<u>\$ 18,783</u>	<u>\$ -</u>	<u>\$ 180,887</u>
Water Lines Loan	4.64%	2008	\$ 36,771	\$ 32,629	\$ -	\$ 69,400
Amount of issue - \$ 725,077	4.64%	2009	37,463	31,937	-	69,400
	4.64%	2010	39,201	30,199	-	69,400
	4.64%	2011	41,020	28,380	-	69,400
	4.64%	2012	42,923	26,477	-	69,400
	4.64%	2013	44,915	24,485	-	69,400
	4.64%	2014	46,999	22,401	-	69,400
	4.64%	2015	49,180	20,220	-	69,400
	4.64%	2016	51,462	17,938	-	69,400
	4.64%	2017	53,849	15,551	-	69,400
	4.64%	2018	56,348	13,052	-	69,400
	4.64%	2019	58,963	10,437	-	69,400
	4.64%	2020	61,699	7,701	-	69,400
	4.64%	2021	64,561	4,839	-	69,400
	4.64%	2022	39,723	1,843	-	41,566
			<u>\$ 725,077</u>	<u>\$ 288,089</u>	<u>\$ -</u>	<u>\$ 1,013,166</u>
<b>Business-type activities</b>						
Water Line Extension	5.10%	2008	\$ 100,000	\$ 13,100	\$ 13,100	\$ 126,200
Amount of issue - \$ 1,100,000	5.20%	2009	100,000	10,550	10,550	121,100
	5.20%	2010	100,000	7,950	7,950	115,900
	5.30%	2011	100,000	5,350	5,350	110,700
	5.40%	2012	100,000	2,700	2,700	105,400
			<u>\$ 500,000</u>	<u>\$ 39,650</u>	<u>\$ 39,650</u>	<u>\$ 579,300</u>



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June 13, 2007

To the Management and  
Township Board of  
Beaver Township

In planning and performing our audit of the financial statements of Beaver Township as of and for the year ended March 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered Beaver Township's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weakness. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control:

### **Adjusting journal entries**

We proposed seventeen adjusting journal entries that you approved and posted to your general ledger. Substantially all of the entries were to correct bookkeeping errors or to make accruals and other adjustments that should have been made prior to our arrival for the audit. We believe that a review and evaluation of transactions and proper monthly closing procedures would expedite the year-end closing and reduce audit time and fees.

This communication is intended solely for the information and use of management, Township Board and is not intended to be and should not be used by anyone other than these specified parties.

*Yeo & Yeo, P.C.*

Midland, Michigan  
June 13, 2007